DIAMOND STATE PORT CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2008

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Independent Auditors' Report

Board of Directors
Diamond State Port Corporation
Wilmington, Delaware

We have audited the accompanying financial statements of the Diamond State Port Corporation, a component unit of the State of Delaware, as of and for the years ended June 30, 2008 and 2007, as listed in the index. These financial statements are the responsibility of the Diamond State Port Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United Stated of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diamond State Port Corporation as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2008 on our consideration of the Diamond State Port Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report and in considering the results of our audit.

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The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

McBride, Shopa & Co

Wilmington, Delaware
August 20, 2008

Management’s Discussion and Analysis

(all amounts in $’000)

As management of the Diamond State Port Corporation (the Port), we offer readers of the Port’s financial statements this narrative overview and analysis of the financial activities of the Port for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information detailed in the audited financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the Port exceeded its liabilities at June 30, 2008 by $148,629 (*net assets*). Included in this amount is $129,323 invested in capital assets net of related debt; and restricted net assets of $16,233 after providing for relevant liabilities for payments to capital projects vendors and for debt service payments.

- The Port’s total net assets declined by $2,712. The Port incurred a net loss of $5,652 before Capital Contributions and Special Item. A comparable net loss for FY 2007 was $2,247. The loss of $5,652 was *partially* offset by $3,000 received from the State of Delaware for capital improvement projects under *the Bond and Capital Improvement Act.*

Overview of the Financial Statements

This Discussion and Analysis is intended to serve as an introduction to the Port’s basic financial statements. The Port’s basic financial statements are comprised of four components: Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; Statement of Cash Flows; and Notes to the Financial Statements.

The Statement of Net Assets presents information on all of the Port’s assets and liabilities, with the difference between the two reported as *net assets.* Over time, increases or decreases in net assets, when read in conjunction with other data, may serve as a useful indicator of whether the financial position of the Port is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how the Port’s operations generated revenues and required expenses, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., outstanding invoices and earned but unused vacation leave).

The Statement of Cash Flows presents information showing the Port’s cash receipts and payments during the fiscal period classified by principal sources and uses segregated into key elements.

Notes to the Financial Statements. The Notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Basis of Accounting: The Financial Statements of the Port are prepared on the accrual basis of accounting in conformity with U.S. Generally Accepted Accounting Principles (GAAP) applicable to governmental entities as prescribed by the Government Accounting Standards Board (GASB). The Port is a component unit of the State of Delaware. The Port's activities are financed and operated as an enterprise fund such that costs and expenses of providing services are recovered primarily through user charges. The Port has adopted the provisions of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities that Use Proprietary Fund Accounting,* which provides for the consistent application of GASB pronouncements.

Financial Analysis

As noted earlier, Net Assets, when read in conjunction with other data, may serve over time as a useful indicator of the financial position of the Port. Port assets exceeded liabilities by $148,629 at the close of FY 2008.

Port's Net Assets
($ '000)

	2008	2007
Current and other assets	$ 21,796	$ 27,300
Capital assets	166,806	164,832
Total assets	188,602	192,132
Long-term liabilities outstanding	34,428	36,733
Other liabilities	5,545	4,058
Total liabilities	39,973	40,791
Net assets:		
Invested in capital assets, net of related debt	129,323	127,162
Restricted	16,233	20,729
Unrestricted	3,073	3,450
Total net assets	$ 148,629	$ 151,341

By far the largest portion of the Port's net assets (87%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The increase in net assets invested in Capital assets from $127,162 in FY 2007 to $129,323 in FY 2008 is mainly due to infrastructure improvements and equipment purchases. The Port uses these capital assets to provide services to port users; consequently, these assets are *not* available for future spending. Although the Port's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Port's net assets represents resources that are subject to external restrictions on how they may be used. The value of restricted assets includes $3,000 in grants for Capital improvement projects received from the State of Delaware as reduced by expenditure and outstanding liabilities incurred while creating such restricted assets, usable only for payments for Capital projects. The balance of net assets - $3,073 - represents *unrestricted net assets* available for any Port related business use. The decrease of $377 from the unrestricted net assets of $3,450 as of June 30, 2007 reflects the income before depreciation, an increase in current liabilities, as well as changes to other categories of current assets of the Port during FY 2008.

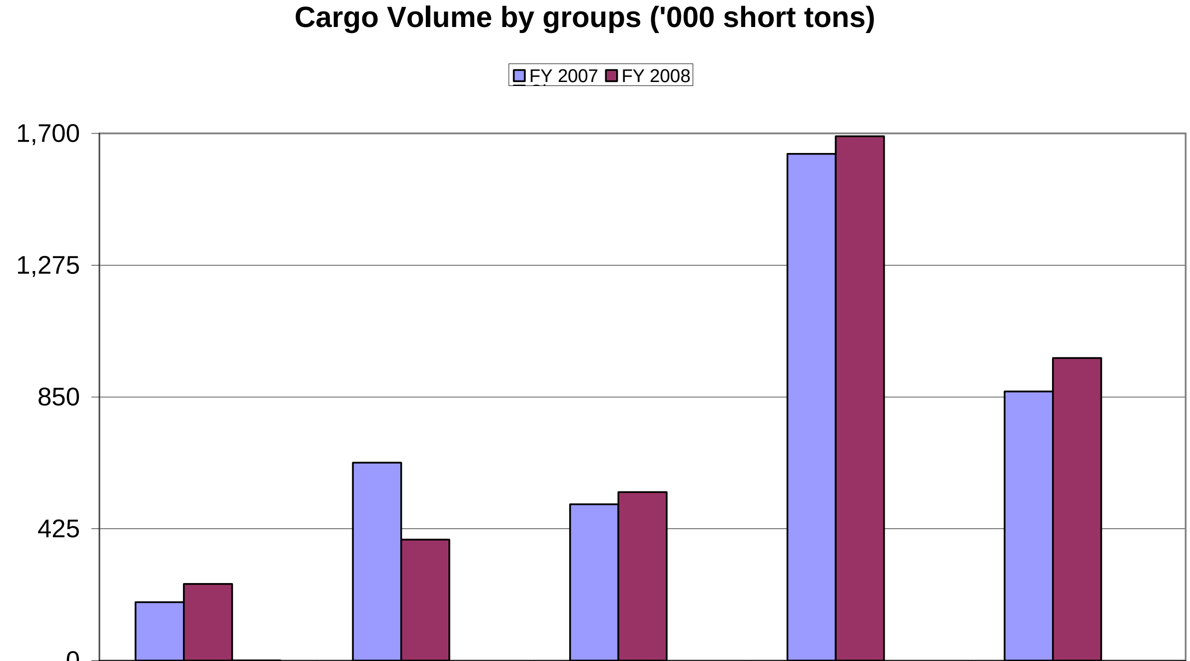
Port Activities

Port activities reduced the Port's net assets by $5,652. Key elements of this change are as follows:

		2008		2007
Operating Revenues:				
Cargo Handling	$	11,689	$	14,073
Dockage & Wharfage		6,667		7,227
Leasing, Storage & Equipment Rental		8,139		8,500
Other		321		821
Total Operating Revenues		26,816		30,621
Operating Expenses:				
Salaries, Wages & Benefits		16,836		17,283
Materials, Supplies & Services		9,510		9,785
Depreciation		5,311		5,192
Total Operating Expenses		31,657		32,260
Operating Income (Loss):		(4,841)		(1,639)
Interest (expense)		(1,635)		(1,510)
Interest Income		820		1,100
Gain (Loss) on disposition of assets		4		(198)
Net Loss - before Capital Contributions:	**$**	(5,652)	$	(2,247)

Cargo Tonnage:

A total of 3.8 million tons of cargo passed over the Port's facilities in FY 2008, matching the total tons handled in FY 2007, although the mix is different.



	Vehicles	Break-Bulk	Dry-Bulk	Containers	Liquid Bulk
FY 2007	188	638	504	1,634	868
FY 2008	247	390	543	1,691	976
Change	31%	-39%	8%	3%	12%

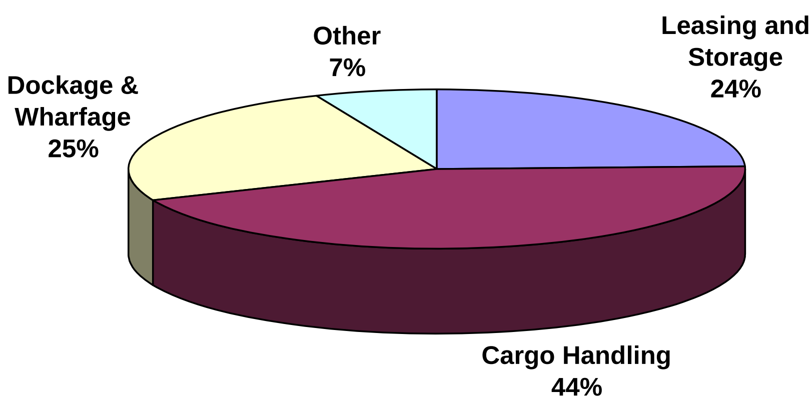
Vehicle volume growth was export driven. The decrease in break-bulk was due primarily to the sharp decline in imported steel with other smaller declines occurring in lumber, and Chilean and Argentine fruit products. Increases in petrocoke exports provided the growth in dry bulk volume. Container volume saw modest growth in bananas and other fruit coupled with a growth of export paper products. Increased import of petroleum products accounted for the liquid bulk growth.

Operating Revenue:

During FY 2008, the Port earned $26,816 as operating revenue. This is a decline of $3,805 from the operating revenue of $30,621 earned in FY 2007.

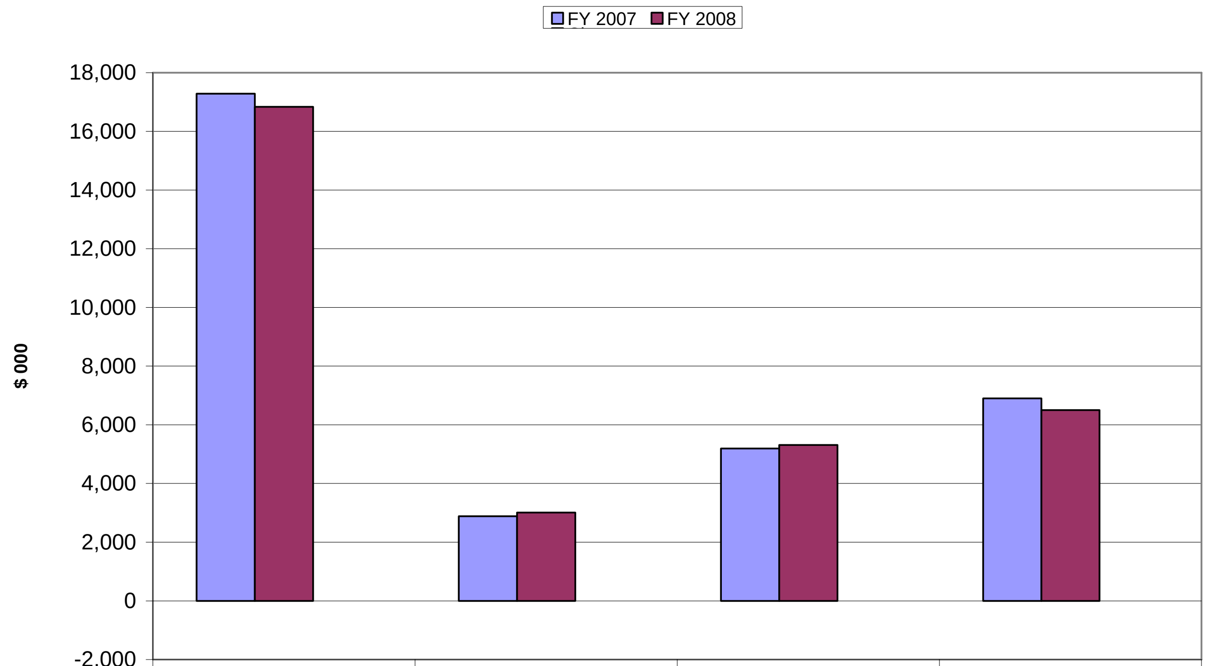
Dollar weakness and a slowing USA construction market were the significant contributors to the reductions in imported cargo volumes. As a result of smaller cargo volume, there were operating revenue reductions of $3,650 compared to FY 2007 in steel, Chilean fruit, and Argentine products. Export vehicles, containers, and palletized banana volumes increased in FY 2008 compared to FY 2007, providing additional revenue of $1,025. Leasing revenue increased from $4,363 in FY 2007 to $4,692 in FY 2008 because of scheduled rate increases at certain customers and an increase in land area under lease.

Revenues by Source



Operating Expenses:

Total operating expense of $ 31,657 in FY 2008 is a reduction of $603 or 1.9% from FY 2007.



	Salaries & Benefits	Electricity	Depreciation	Other Operating Expenses
FY 2007	17,283	2,887	5,192	6,899
FY 2008	16,836	3,008	5,311	6,502
Change	-3%	4%	2%	-6%

Salaries and benefits expense decreased by $447 in FY 2008 due to the reductions in labor hours caused by lower break bulk cargo volumes and productivity improvements. These were partially offset by higher wage rates and benefit expenses. The $121 increase in electricity expense was the result of an increase in the unit cost per kilowatt hour while reduced refrigerated cargo volume caused the power usage to decline in FY 2008. Higher cost of fossil fuel used for crane, equipment, and building heating increased the expense by $160. Reductions in equipment rental requirements (a result of reduced cargo and increases in DSPC owned equipment), coupled with a reduction in repair and maintenance expense were the main contributors to the decrease in other operating expenses.

Capital Asset and Debt Administration

Capital assets: The Port's investment in capital assets as of June 30, 2008, amounts to $166,805 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, docks and wharves, and machinery and equipment. The net increase in the Port's investment in capital assets for the current fiscal year was $1,973.

Major capital assets acquired during FY 2008 were the purchase of handling equipment.

Capital Assets
($ '000)

		2008		2007
Land and Improvements	$	36,196	$	36,164
Buildings		86,618		86,476
Docks & Wharves		45,168		45,168
Equipment		24,024		22,977
Streets and Utilities		4,958		4,924
Vehicles and other assets		8,192		7,875
Sub total		205,156		203,584
Accumulated Depreciation		(45,476)		(40,214)
Total		159,680		163,370
Construction in progress		7,125		1,462
Total	$	166,805	$	164,832

Additional information on the Port's capital assets can be found in Note 5 of Notes to Financial Statements.

Long-term Notes Payables: At the end of the current fiscal year, the Port had total Notes Payables outstanding of $37,482. Of this amount, $12,129 comprises debt to the City of Wilmington incurred at the time of the acquisition of the Port by the State of Delaware from the City of Wilmington in 1995. The Delaware River and Bay Authority is owed $3,797, as part of their financial participation in Warehouse H. The Delaware Department of Transportation (DelDOT) Transportation Trust Fund is owed $20,887 for funds borrowed during FY 2002 and subsequent years, while $364 and $305 is owed to Wilmington Trust and Bank of America respectively for the purchase of handling equipment. Additional Information is available in Note 8 of Notes to Financial Statements.

DIAMOND STATE PORT CORPORATION
STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND 2007

ASSETS

	2008	2007
CURRENT ASSETS		
Cash and cash equivalents	$ 2,542,845	$ 2,769,339
Accounts receivable - net	2,019,816	2,673,401
Inventory	468,803	526,956
Prepaid expenses and other assets	531,476	601,164
	5,562,940	6,570,860
RESTRICTED ASSETS		
Cash and cash equivalents	16,233,129	20,728,924
CAPITAL ASSETS - NON-DEPRECIABLE	32,629,589	26,966,920
CAPITAL ASSETS - DEPRECIABLE, net	134,175,874	137,865,818
TOTAL ASSETS	$ 188,601,532	$ 192,132,522

See notes to the financial statements.

DIAMOND STATE PORT CORPORATION
STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND 2007

LIABILITIES AND NET ASSETS

	2008	2007
CURRENT LIABILITIES		
Accounts payable	$ 51,527	$ 187,844
Accrued expenses	1,982,343	2,711,301
Accrued interest payable	283,456	142,203
Due to the State of Delaware- pension costs	51,517	58,137
Notes payable - current	3,054,113	936,591
Deferred revenue	121,480	21,680
Total current liabilities	5,544,436	4,057,756
NOTES PAYABLE - LONG-TERM	34,428,068	36,733,576
TOTAL LIABILITIES	39,972,504	40,791,332
NET ASSETS		
Invested in capital assets - net of related debt	129,323,283	127,162,571
Restricted		
Capital Improvement Fund	16,233,129	20,728,924
Unrestricted	3,072,616	3,449,695
TOTAL NET ASSETS	148,629,028	151,341,190
TOTAL LIABILITIES AND NET ASSETS	$ 188,601,532	$ 192,132,522

See notes to the financial statements.

DIAMOND STATE PORT CORPORATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
OPERATING REVENUES		
Handling	$ 11,689,500	$ 14,072,630
Dockage and wharfage	6,667,013	7,226,609
Leasing, storage and equipment rental	8,138,946	8,500,193
Other operating revenue	320,760	821,929
	26,816,219	30,621,361
OPERATING EXPENSES		
Salaries and benefits	16,835,842	17,282,783
Materials, supplies and contractual services	9,510,120	9,785,330
Depreciation expense	5,311,095	5,192,395
	31,657,057	32,260,508
OPERATING LOSS	(4,840,838)	(1,639,147)
NONOPERATING INCOME (EXPENSE)		
Interest expense	(1,635,318)	(1,509,779)
Interest income	820,018	1,099,641
Gain (loss) on disposition of assets	3,976	(197,477)
	(811,324)	(607,615)
NET LOSS BEFORE CAPITAL CONTRIBUTION AND SPECIAL ITEM	(5,652,162)	(2,246,762)
CAPITAL CONTRIBUTIONS		
State Bond Bill	3,000,000	23,400,000
SPECIAL ITEM		
Loss from restructuring of debt	(60,000)	-
CHANGE IN NET ASSETS	(2,712,162)	21,153,238
NET ASSETS - BEGINNING	151,341,190	130,187,952
NET ASSETS - ENDING	$ 148,629,028	$ 151,341,190

See notes to the financial statements.

DIAMOND STATE PORT CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and others	$ 27,601,472	$ 30,996,407
Cash payments to suppliers for goods and services	(9,299,127)	(7,663,240)
Cash payments to employees for services	(16,644,321)	(17,227,886)
Cash payments for insurance	(1,233,068)	(1,068,062)
NET CASH PROVIDED BY OPERATING ACTIVITIES	424,956	5,037,219
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on cash and investments	878,626	1,041,657
NET CASH PROVIDED BY INVESTING ACTIVITIES	878,626	1,041,657
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from sale of capital assets, net of gain	10,849	6,392
Acquisition and construction of capital assets	(131,531)	(451,041)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(120,682)	(444,649)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(6,453,496)	(5,239,243)
Interest paid on loans and capital lease	(1,534,331)	(926,237)
Principal paid on loans	(917,362)	(1,263,697)
Proceeds from notes payable	-	600,000
Contributed capital	3,000,000	13,400,000
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(5,905,189)	6,570,823

See notes to the financial statements.

DIAMOND STATE PORT CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,722,289)	12,205,050
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	23,498,263	11,293,213
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 18,775,974	$ 23,498,263
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (4,840,838)	$ (1,639,147)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	5,311,095	5,192,395
Net change in the allowance for doubtful accounts	(16,888)	18,028
(Increase) decrease in:		
Accounts receivable	670,473	412,825
Prepaid expenses and other assets	15,056	216,897
Inventories	58,153	(38,081)
Increase (decrease) in:		
Accounts payable	(136,317)	46,344
Accrued expenses	(728,958)	933,634
Due to State of Delaware - pension costs	(6,620)	(4,052)
Deferred revenue	99,800	(101,624)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 424,956	$ 5,037,219
SUPPLEMENTAL SCHEDULES OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Accretion of deferred loss	$ 19,734	$ 19,292
Disposal of fixed assets, resulting in gain of $3,976 during 2008 and a loss of $197,477 during 2007	$ 59,504	$ 558,585
Interest capitalized as principal portion of long-term debt	$ 60,000	$ 483,719
Contribution from State directly paying down Port Debt Service Note	$ -	$ 10,000,000
Purchase of capital assets through debt	$ 709,642	$ -

See notes to the financial statements.

NOTE 1 ORGANIZATION

The Diamond State Port Corporation (the Corporation) was created on August 3, 1995 in accordance with the provisions of Section 24(1) of Senate Bill 260 enacted by the 138th General Assembly of the State of Delaware (the State). The Corporation is a public instrumentality of the State of Delaware exercising essential government functions necessary in connection with the acquisition, establishment, construction, rehabilitation, improvement, operation, and maintenance of the Port of Wilmington (the Port) and related facilities. The Port was acquired by the Corporation on September 1, 1995. The Corporation is empowered without limitation, and notwithstanding any other laws, to adopt bylaws and rules and regulations to govern the conduct of its affairs and carry out and discharge its powers, duties, and functions, to sue and be sued, and to enter into contracts and agreements. The Corporation does not have power to tax, to issue bonds, to exercise the power of eminent domain, or to pledge the credit or create any debt or liability of the State of Delaware.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting. The accompanying financial statements of the Corporation have been prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with U.S. generally accepted accounting principles applicable to governmental entities as prescribed by the Governmental Accounting Standards Board (GASB). The Corporation (the reporting entity) is a component unit of the State of Delaware. The Corporation's activities are financed and operated as an enterprise fund such that costs and expenses of providing services are recovered primarily through user charges.

Operating revenues and expenses generally result from providing services and leasing in connection with the Corporation's ongoing operations. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are recorded as nonoperating revenues and expenses. When an expense is incurred that can be paid using either restricted or unrestricted resources, it is the Corporation's policy to first apply the expense towards restricted resources and then toward unrestricted resources.

The Corporation has adopted the provisions of GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities that Use Proprietary Fund Accounting, which provide for the consistent application of GASB pronouncements and only pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, except where those FASB pronouncements conflict with GASB pronouncements in which case the GASB pronouncements take precedence.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Cash and Cash Equivalents. For purposes of the statement of cash flows, the Corporation considers short-term investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable. Accounts receivable are shown net of an allowance for doubtful accounts of $49,468 and $66,356 in 2008 and 2007, respectively.

Inventory. Inventory consists of equipment parts, office supplies and marketing materials. Inventory is stated at the lower of cost or market value.

Capital Assets. The assets originally acquired by the Corporation in 1995 were recorded based on estimated fair values. Nondepreciable assets consist of the estimated fair value of land, which was determined based on an independent appraisal, and construction-in-progress. The fair values of all other assets acquired were estimated to be the book value of those assets at the date of acquisition. Additions and improvements in excess of $3,000 are capitalized.

Depreciation is generally recorded using the straight-line method and half-year convention over the following estimated useful lives:

Improvements (all categories)	20-30 years
Buildings and warehouses	30-75 years
Docks, wharves, and rail	50-60 years
Equipment and cranes	6-40 years
Streets and utilities	20-40 years
Vehicles, other	6 years

Revenues. The significant sources of revenue are:

Handling - represents charges against the owner of cargo for moving cargo into or out of storage, loading on or off trucks, or to or from a point of rest on the dock where it has been deposited.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Dockage and wharfage -	represents charges assessed against vessels and barges for berthing at the wharf, pier, and bulkhead structures, handling lines for the docking and undocking of vessels, and represents charges assessed against vessels, or against another properly designated party, on all cargo passing or conveyed over, onto, or under wharves or between vessels when berthed at the wharf.
Leasing -	represents fees charged on a contractual basis for the rental of land or buildings at the Port. Rates are determined on a contract-by-contract basis.
Storage -	represents charges for the storage of cargo in the Port's dry, refrigerated and freezer warehouses and open areas.
Equipment Rental -	represents charges for equipment use against vessels and barges that bring their own crews to load and unload cargo

Contributions of Capital. Contributions of capital arise from State and Federal grants, generally restricted to capital acquisition and construction. All capital grants and contributions are in the form of cash, which is then used to purchase capital assets, pay debt service, or fund other approved uses.

Compensated Absences. Regular full-time employees accrue vacation on a calendar year basis in varying amounts based on length of service. Employees can accumulate up to 400 hours, or 50 days of vacation time. Unused vacation time can be carried forward to the next benefit year in an amount up to the annual vacation amount. Upon termination, employees will be paid for unused vacation time.

Sick leave is earned by regular, full-time administrative employees at the rate of one day per month. Unused sick leave benefits accumulate indefinitely. Any unused sick leave hours will not be paid to employees while they are employed or upon termination of employment.

The liability for compensated absences through year-end, but not yet taken, is accrued.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Capital leases. The discount rate used to impute the present value of the future minimum lease payments is the lower of the Corporation's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return.

Deferred loss. The Corporation incurred deferred losses on two refundings of the Port Debt Service Note in 2002 and 2005, which are being accreted over the remaining life of the Note at the time of each refunding.

Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, through subsequent events, actual results could differ from those estimates.

NOTE 3 CASH, INVESTMENTS AND RESTRICTED ASSETS

The Cash Management Policy Board: The Corporation follows the "Statement of Objectives and Guidelines for the Investments of State of Delaware", of the State's Cash Management Policy Board (the Board). The Board, created by State law, establishes policies for, and the terms, conditions, and other matters relating to, the investment of all money belonging to the State with certain limited exceptions.

Investment Guidelines and Management:
The State's Cash Management Policy categorizes all cash and special purpose funds for which the State is financially accountable as follows:

A. Cash Accounts: Divide the State's available cash into three parts:
   1) Collection and Disbursement Accounts,
   2) Cash and Liquidity Accounts,
   3) Reserve Cash (Intermediate) Accounts.

B. Special Purpose Accounts. There are two primary types of Special Purpose Accounts:
   1) Endowment Accounts,
   2) Authority Accounts: The State's Authorities (State Agencies, Local School Districts and Component Units) maintain a variety of fund types, including various operating funds, bond funds and debt service reserve funds.

The Corporation's accounts are considered Authority Accounts.

CASH, INVESTMENTS AND RESTRICTED ASSETS (Cont'd.)

The investment guidelines, adopted by the Board provide, among other things, that no more than 10% of the entire portfolio may be invested in obligations of any one issuer other than the U.S. Government. Investments may be made only in fixed income instruments with maturities of up to five years in certain circumstances. The State's Cash Management Policy is available on the Internet at http://www.state.de.us/treasurer/information/cash.html.

Custodial Credit Risk

Collateralization Requirements: All State deposits are required by law to be collateralized by direct obligations of, or obligations which are guaranteed by, the United States of America, or other suitable obligations as determined by the Board, unless the Board shall find such collateralization not in the best interest of the State. The Board has determined that certificates of deposit and time deposits must be collateralized, unless the bank issuing the certificate has assets of not less than $5 billion and is rated not lower than "B" by Fitch, Inc. Bank Watch. The Board has also determined that State demand deposits need not be collateralized provided that any bank that holds these funds has had for the last two years, a return on average assets of 0.5% or greater and an average equity-capital ratio of at least 1:20. If the bank does not meet the above criteria, collateral must consist of one or more of the following:

(a) U.S. Government securities;
(b) U.S. Government agency securities;
(c) Federal Home Loan Board letters of credit;
(d) State of Delaware securities; or
(e) Securities of a political subdivision of the State with a Moody's Investors Service rating of "A" or better.

Additionally, the bank must ensure that those securities pledged as collateral have a market value equal to or greater than 102% of the ledger balance(s) in the account(s) each day and ensure that securities pledged are identified as held in the State's name and are segregated on the bank's records.

At June 30, 2008 and 2007, the financial institutions maintaining the Corporation's deposits satisfied the criteria listed above, and the deposits held by those institutions did not require collateralization.

CASH, INVESTMENTS AND RESTRICTED ASSETS (Cont'd.)

Cash and cash equivalents

Cash and cash equivalents consist of demand deposits, short-term money market funds and other deposits held by financial institutions, generally with a maturity of three months or less when purchased. Cash and cash equivalents are reported as deposits.

Cash and cash equivalents, as reported on the statement of net assets, is under the control of the Corporation. The Corporation invests the deposited cash, including the cash float in short-term securities and other investments.

At June 30, 2008 and 2007, the bank balances of the Corporation's deposits were $18,959,338 and $23,998,338, respectively. Of the bank balances, $100,000 is insured by the Federal Deposit Insurance Corporation (FDIC); thus, at June 30 2008 and 2007, $18,859,338 and $23,898,338 would be subject to custodial credit risk, respectively. However, the deposits are held at a financial institution, which satisfies the criteria listed above and not requiring collateralization.

NOTE 4 RESTRICTED ASSETS

Restricted assets and the purpose of the restriction are as follows:

	2008	2007
Capital improvements	$ 16,233,129	$ 20,728,924

Assets restricted for capital improvements consist of contributions from the State of Delaware. These assets are invested in money market accounts. They are considered to be cash equivalents.

DIAMOND STATE PORT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 5 CAPITAL ASSETS

Property and equipment changes during 2008 consisted of the following:

	2007	Additions (Retirements)	Transfers	2008
Capital assets, non-depreciable				
Land	$ 25,504,410	$ -	$ -	$ 25,504,410
Construction in progress	1,462,510	7,294,670	(1,632,001)	7,125,179
Total capital assets - non-depreciable	$ 26,966,920	$ 7,294,670	$ (1,632,001)	$ 32,629,589
Capital assets, depreciable				
Land improvements	$ 10,659,637	$ -	$ 31,734	$ 10,691,371
Buildings	86,476,298	-	141,554	86,617,852
Docks and wharves	45,168,479	-	-	45,168,479
Equipment	22,976,965	(44,289)	1,090,863	24,023,539
Streets and water utilities	4,923,626	-	34,742	4,958,368
Vehicles and other assets	7,874,540	(15,216)	333,108	8,192,432
Total capital assets, depreciable	178,079,545	(59,505)	1,632,001	179,652,041
Less: accumulated depreciation:				
Land improvements	4,999,920	718,260	-	5,718,180
Buildings	14,935,855	1,982,237	-	16,918,092
Docks and wharves	7,611,509	1,084,596	-	8,696,105
Equipment	5,880,758	838,360	-	6,719,118
Streets and water utilities	1,611,313	206,437	-	1,817,750
Vehicles and other assets	5,174,372	432,550	-	5,606,922
Total change in accumulated depreciation	40,213,727	5,262,440	-	45,476,167
Total capital assets, depreciable, net	$ 137,865,818	$ (5,321,945)	$ 1,632,001	$ 134,175,874

CAPITAL ASSETS (Cont'd.)

Depreciation expense was $5,311,095 for 2008 and $5,192,395 for 2007.

As a part of its continual program to upgrade port facilities, the Diamond State Port Corporation has undertaken a capital project to reconstruct one of its berths. The total estimated cost is approximately $11.4 million. DSPC had paid or accepted as payable approximately $7.4 million for this project. As of June 30, 2008, a major contractor had submitted billings worth $3 million which DSPC disputes as it does not consider them valid under the terms of such contract.

NOTE 6 LEASING REVENUE

The Corporation leases certain Port terminal and storage space to tenants. Total rental income under these operating leases amounted to $4,692,114 and $4,362,663 for 2008 and 2007, respectively.

The following is a schedule of future minimum rentals under noncancelable operating leases with original lease term in excess in one year as of June 30, 2008.

2009	$ 4,949,714
2010	5,096,626
2011	5,091,474
2012	5,124,791
2013	5,190,155
Thereafter	36,025,910
	$ 61,478,670

NOTE 7 REVOLVING LINE OF CREDIT

The Corporation has a $3,000,000, unsecured, revolving line of credit from Wilmington Trust Company (WTC), none of which was outstanding at June 30, 2008 and 2007. Bank advances on the credit line are payable within 30 days of demand and carry an interest rate based on WTC's commercial rate index.

NOTE 8 LONG-TERM DEBT

Long-term debt changes during 2008 and 2007 were as follows:

2008

	Outstanding June 30, 2007	Issued	Payments and Other Reductions	Outstanding June 30, 2008
Transportation Trust Fund Note	$ 20,922,649	$ -	$ (35,243)	$ 20,887,406
City of Wilmington Port Debt Service Notes	12,747,518	60,000	(678,797)	12,128,721
Delaware River and Bay Authority	4,000,000	-	(202,817)	3,797,183
Wilmington Trust Company	-	401,973	(38,048)	363,925
Bank of America - Master Lease	-	307,669	(2,723)	304,946
Total notes payable	37,670,167	$ 769,642	$ (957,628)	37,482,181
Notes payable - current	936,591			3,054,113
Notes payable - long-term	$ 36,733,576			$ 34,428,068

2007

	Outstanding June 30, 2006	Issued	Payments and Other Reductions	Outstanding June 30, 2007
Transportation Trust Fund Note	$ 31,031,266	$ 483,719	$ (10,592,336)	$ 20,922,649
City of Wilmington Port Debt Service Notes	13,399,587	-	(652,069)	12,747,518
Delaware River and Bay Authority	3,400,000	600,000	-	4,000,000
Total notes payable	47,830,853	$ 1,083,719	$ (11,244,405)	37,670,167
Notes payable - current	11,432,500			936,591
Notes payable - long-term	$ 36,398,353			$ 36,733,576

LONG-TERM DEBT (Cont'd.)

Interest changes during 2008 and 2007 were as follows:

2008

	Accrued Interest June 30, 2007	Interest Expense Incurred	Payments and Other Reductions	Accrued Interest June 30, 2008
Transportation Trust Fund Note	$ 80,203	$ 964,623	$ (964,758)	$ 80,068
City of Wilmington Port Debt Service Notes	57,000	586,685	(446,165)	197,520
Delaware River and Bay Authority	5,000	58,356	(58,610)	4,746
Wilmington Trust Company	-	24,751	(23,629)	1,122
Bank of America - Master Lease	-	903	(903)	-
Total accrued interest	$ 142,203	$ 1,635,318	$ (1,494,065)	$ 283,456

2007

	Accrued Interest June 30, 2006	Interest Expense Incurred	Payments and Other Reductions	Accrued Interest June 30, 2007
Transportation Trust Fund Note	$ -	$ 971,586	$ (891,383)	$ 80,203
City of Wilmington Port Debt Service Notes	61,672	533,193	(537,865)	57,000
Delaware River and Bay Authority	-	5,000	-	5,000
Total accrued interest	$ 61,672	$ 1,509,779	$ (1,429,248)	$ 142,203

Transportation Trust Fund Loan. On November 30, 2001, the Corporation entered into a loan agreement with the Department of Transportation of the State of Delaware (DOT). The Corporation borrowed $27,500,000. The funds were used to repay the balances in full of the original Delaware River and Bay Authority Note and the Wilmington Trust Company Note; and, at a discount, the City of Wilmington-Deferred Payment Note.

LONG-TERM DEBT (Cont'd.)

In July 2006, the loan was restructured to allow for the deferral of debt service principal and interest payments due July 1, 2006, and January 1, 2007, and to restructure the repayment of the outstanding principal balance effective July 1, 2007 over the next twenty-two years. Additionally, the State appropriated $10,000,000 to be applied as a repayment of principal and interest on July 1, 2007. The interest rate of 4.6% remained unchanged. Beginning March 31, 2007, principal and interest payments are due March 1, and May 1, each year. The loan matures May 2028.

Interest capitalized as long-term debt during 2008 and 2007, as part of the restructuring, amounted to $0 and $483,719, respectively. Interest expense charged to operations during 2008 and 2007 was $964,623 and $971,586, respectively.

The future maturities of principal and interest payments on the Transportation Trust Fund Loan are as follows:

Fiscal Year	Principal	Interest	Total
2009	$ 656,837	$ 960,759	$ 1,617,596
2010	687,245	930,351	1,617,596
2011	719,060	898,536	1,617,596
2012	752,348	865,248	1,617,596
2013	787,177	830,419	1,617,596
2014-2018	4,517,443	3,570,536	8,087,979
2019-2023	5,664,494	2,423,485	8,087,979
2024-2028	7,102,802	985,177	8,087,979
	$ 20,887,406	$ 11,464,511	$ 32,351,917

City of Wilmington Notes Payable. In consideration for the acquisition of the Port assets from the City of Wilmington, Delaware (the City), the Corporation issued to the City a Port Deferred Payment Note, with an original amount of $39,900,000, and a Port Debt Service Note with an original face amount of $51,080,622, both secured by a first lien on substantially all of the Corporation's assets.

a. Port Deferred Payment Note. In 2002, the remaining amounts due were prepaid to the City using the proceeds from the Transportation Trust Fund Loan.

LONG-TERM DEBT (Cont'd.)

b. Port Debt Service Note. The Port Debt Service Note requires payments to the City of amounts which equal the debt service of certain Port-related City general obligation bonds, with interest rates from 3.2% to 6.4%.

On October 20, 2001, the City issued $22,165,000 of general obligation bonds with an average interest rate of 3.70% to advance refund $21,335,000 of outstanding 1992 A, B and C Series general obligation bonds with an average interest rate of 6.16%. The Port related portions of the new bonds issued and old bonds redeemed were $7,206,705 and $6,945,086, respectively, passed through to the Corporation. Although the effect of the City's advance refunding on the Port Debt Service Note resulted in a deferred accounting loss of $261,619 for the year ended June 30, 2002, it reduced the Corporation's debt service payments by $281,293 over eleven years resulting in an economic gain. The deferred loss on the refunding is accreted over the eleven-year life of the debt. The deferred loss balance as of June 30, 2008 and 2007 was $24,553 and $40,291, respectively.

On October 5, 2004, the City issued $12,945,000 of general obligation bonds with an average interest rate of 3.73% to advance refund $11,655,000 of outstanding 1993 B Series general obligation bonds with an average interest rate of 5.0%, and a portion of interest of $161,921 due January 1, 2005. The Port-related portions of the new bonds issued and old bonds redeemed were $3,992,497 and $3,594,635, respectively, passed through to the Corporation. Although the effect of the City’s advance refunding on the Port Debt Service Note resulted in a deferred accounting loss of $397,862, it reduces the Corporation’s debt service payments by $251,815 over the next seventeen and a half years resulting in an economic gain. The deferred loss on the refunding is accreted over the seventeen and a half year life of the debt. The deferred loss balance on the 2004 refunding as of June 30, 2008 and 2007 was $385,567 and $389,563, respectively.

On June 30, 2006, the State of Delaware paid the City on behalf of the Corporation, $5,000,000, in lieu of amounts due for the Port-related portions of the City’s 1993B and 2004B bond payments due July 1, 2006 and July 1, 2007 totaling $5,645,991, reducing the total amount owed to the City by $5,645,991. The effect of the advance payment was a reduction of principal in the amount of $5,087,389, a reduction of accrued interest due July 1, 2006 in the amount of $308,844, and a resulting gain of $396,233.

On June 26, 2008, the City of Wilmington refunded Series 1996B bonds, and those bonds were replaced by Series 2008A bonds, which the Port has correlating notes with the City. Overall, the Port will pay an additional $60,000 in principal over the next nine years; however, the Port will save $334,673 in interest during the same time period. In summary, the Port will pay $274,673 less on the City notes due to the refunding/financing.

LONG-TERM DEBT (Cont'd.)

Total deferred loss balance as of June 30, 2008 and 2007 was $410,120 and $429,854, respectively. The amortization of deferred loss of $19,734 and $19,292 during 2008 and 2007, respectively, is charged to interest expense.

Principal and interest payments made on the note were $678,797 and $426,431, respectively, during 2008, and $652,069 and $518,573, respectively, during 2007.

Interest expense on the note in 2008 and 2007 was $586,685 and $533,193, respectively.

The future maturities of principal and interest payments on the Port Debt Service Note are as follows:

Fiscal Year	Principal	Interest	Total
2009	$ 2,116,194	$ 463,237	$ 2,579,431
2010	2,460,172	364,706	2,824,878
2011	1,400,612	277,554	1,678,166
2012	1,449,448	224,275	1,673,723
2013	579,252	190,074	769,326
2014-2018	2,997,232	576,622	3,573,854
2019-2023	1,535,931	162,109	1,698,040
	12,538,841	2,258,577	14,797,418
Deferred loss on refunding	(410,120)	-	(410,120)
Total	$ 12,128,721	$ 2,258,577	$ 14,387,298

Delaware River and Bay Authority Obligation. On March 1, 2005, the Corporation entered into an agreement with the Delaware River and Bay Authority (DRBA) whereby the Corporation agreed to lease to the DRBA land and a warehouse, located at the Port, for twenty years. The rent for the entire twenty-year term of the lease was $4,000,000, to be paid in advance. Simultaneously, the Corporation and the DRBA entered into an operating agreement in which the Corporation agreed to make guaranteed payments to the DRBA in the amount of $21,786, at the beginning of each month, starting with the date upon which substantial completion has occurred, for a period of twenty years, totaling $4,000,000 plus interest, which ranges from 1.5% to 5.32%.

LONG-TERM DEBT (Cont'd.)

This transaction is accounted for as a loan from DRBA secured by revenue from warehouse operations. The Corporation began making guaranteed payments on July 1, 2007.

Interest expense incurred on this obligation was $58,356 and $5,000 in 2008 and 2007, respectively.

The future maturities of principal and interest payments on the DRBA obligation are as follows:

Fiscal Year	Principal	Interest	Total
2009	$ 205,881	$ 55,546	$ 261,427
2010	208,990	52,437	261,427
2011	212,147	49,280	261,427
2012	215,351	46,076	261,427
2013	175,178	86,249	261,427
2014-2018	913,195	393,939	1,307,134
2019-2023	926,373	380,761	1,307,134
2024-2025	940,068	105,643	1,045,711
	$ 3,797,183	$ 1,169,931	$ 4,967,114

Wilmington Trust Company Loan. The Corporation entered into a loan agreement with the Wilmington Trust Company (WTC) on August 17, 2007 for $401,973 to purchase two 45,000 lbs. Hyster forklifts. Monthly payments to WTC of $6,186 began on September 17, 2007. The loan is for seven years, and the interest rate is 7.40%.

Interest expense incurred on this obligation was $24,751 during 2008.

LONG-TERM DEBT (Cont'd.)

The future maturities of principal and interest payments on the WTC obligation are as follows:

Fiscal Year	Principal	Interest	Total
2009	$ 48,354	$ 25,660	$ 74,014
2010	52,109	21,905	74,014
2011	56,156	17,858	74,014
2012	60,518	13,496	74,014
2013	65,218	8,796	74,014
2014-2018	81,570	3,836	85,406
	$ 363,925	$ 91,551	$ 455,476

Bank of America Master Lease. On May 2, 2008, the corporation purchased nine 6,000 lbs. forklifts for $188,881. On June 27, 2008 purchased three 10,000 lbs. forklifts for $118,788. The Corporation utilized the State of Delaware's Master Lease program (as administered by Bank of America (BOA)) to purchase the twelve forklifts for $307,669. Both loans are for ten years at interest rates of 2.88% and 3.23%, respectively. Payments began one month after the purchase dates.

Interest expense incurred on this obligation was $903 during 2008.

The future maturities of principal and interest payments on the BOA obligation are as follows:

Fiscal Year	Principal	Interest	Total
2009	$ 26,848	$ 8,829	$ 35,677
2010	27,668	8,009	35,677
2011	28,513	7,164	35,677
2012	29,385	6,292	35,677
2013	30,283	5,394	35,677
2014-2018	162,249	12,509	174,758
	$ 304,946	$ 48,197	$ 353,143

NOTE 9 CONTRIBUTED CAPITAL

Since its inception, the Corporation has received capital contributions from the State of Delaware and Federal grants as follows:

	Inception to Date	2008	2007
State of Delaware	$ 161,415,000	$ 3,000,000	$ 23,400,000
Federal	3,008,577	-	-
Total	$ 164,423,577	$ 3,000,000	$ 23,400,000

The inception to date total decreased by $2,650,000 from the State of Delaware and $84,000 from Federal due to clarification of contributions received during the fiscal year ended June 30, 1996.

NOTE 10 PENSION PLAN AND OTHER POSTRETIREMENT EMPLOYEE BENEFITS

Plan Description. The Diamond State Port Corporation Pension Plan (the Plan) is a single-employer defined benefit pension plan which covers all employees of the Corporation. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. A member may retire after completing five years of service and after reaching normal retirement age of sixty-five. Benefits fully vest after five years of credited service. Prior to 2007, benefits proportionately vested between between 5 and 10 years, fully vesting at 10 years. If an employee terminates his or her employment after at least five years of credited service but before normal retirement age, he or she may defer pension benefits until reaching retirement age. Employees who retire after reaching normal retirement age with at least five years of credited service are entitled to receive pension benefits equal to 1.75% of their final average monthly compensation multiplied by the years of credited service (not to exceed 30 years).

Disability benefits are generally the same as pension benefits, however, employees must have 15 years of credited service, subject to certain limitations. Survivors' benefits are generally equal to 50% of the pension benefit the employee would have received at age sixty-five if at least 15 years of credited service are obtained.

PENSION PLAN AND OTHER POSTRETIREMENT EMPLOYEE BENEFITS (Cont'd.)

The Delaware Public Employees' Retirement System, which administers the Diamond State Port Corporation Pension Plan, issues a publicly available financial report, including financial statements and required supplementary information. The report may be obtained by writing the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite #1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402, or by calling 1-800-722-7300.

The Corporation has adopted Governmental Accounting Standards Board Statement No. 27, Accounting for Pensions by State and Local Government Employers.

Funding Policy. Contribution requirements are determined by the State Board of Pension Trustees principally based on an actuarially determined rate. Plan members are required to contribute 2% of their compensation. Interest is credited at the rate of 7% per year.

Annual Pension Cost and Net Pension Obligation. The Corporation contributed 100% of its annual required contribution during the fiscal years 2008, 2007 and 2006. Accordingly, there was no net pension obligation as of June 30, 2008, 2007 and 2006. The annual pension cost was equal to the annual required contribution of $714,341 in 2008, $597,836 in 2007, and $681,676 in 2006.

The annual required contribution for the current year was determined as part of the June 30, 2007 actuarial valuation (the most recent valuation) using the Entry Age Normal Actuarial Cost Method. The actuarial assumptions included (a) 8.0% investment rate of return and (b) projected salary increases of 4.75% which included an inflation component of 3.75%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008 was 15 years.

PENSION PLAN AND OTHER POSTRETIREMENT EMPLOYEE BENEFITS (Cont'd.)

The following provides an analysis of the funding progress of the Plan as of June 30, 2007, 2006, and 2005:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (2)-(1)	Funded Ratios (1)/(2)	Annualized Covered Payroll	UAAL as a Percentage of Covered Payroll (3)/(5)
June 30, 2007	$11,911,400	$13,604,200	$ 1,692,800	87.6 %	$11,212,700	15.1 %
June 30, 2006	$10,360,900	$12,737,800	$ 2,376,900	81.3 %	$11,130,000	21.3 %
June 30, 2005	$ 8,948,000	$ 9,732,000	$ 784,000	91.9 %	$ 9,248,000	8.5 %

Other Postretirement Employee Benefits. Effective for fiscal year ending June 30, 2008, GASB statements 43 and 45 require the State of Delaware and its component units to account for other postretirement employee benefits. Retirees of the Corporation are permitted to enroll in the State of Delaware's health insurance plan in which employees pay the premiums in full on a monthly basis. The Corporation is not obligated to pay for medical costs in excess of premiums under the Plan. Therefore, the Corporation has not recorded a liability for other postretirement employee benefits in its financial statements.

NOTE 11 LEASE COMMITMENTS

The Corporation also leases various equipment and outside storage space on a short-term basis for its operations. Rental expense was $335,152 and $669,632 for 2008 and 2007, respectively.

NOTE 12 RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries and illnesses to employees, and natural disasters. The Corporation has obtained commercial insurance to cover the risk of these losses with the exception of workers' compensation claims, where the Corporation is self-insured through the State of Delaware's self-insurance program. Settled claims have not exceeded the commercial insurance limits in any of the past five fiscal years. The Corporation was obligated to pay to the State's program a monthly charge equal to $1.45 and $1.60 per $100 of payroll which was $177,981 and $213,114 for the years ended June 30, 2008 and 2007, respectively.

NOTE 13 DEFERRED COMPENSATION PLAN

The Corporation offers all full-time employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until a future time. The employee may withdraw funds upon termination of the employment relationship with the Corporation, retirement, death, or unforeseeable financial hardship. The Corporation does not make contributions to the plan.

Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. The Corporation has very little administrative involvement, performs no investing function, and has no fiduciary responsibility for this plan. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants and are not subject to claims of the Corporation's creditors. Accordingly, these plan assets are not reported as a part of these financial statements.

NOTE 14 MAJOR CUSTOMERS

Two major customers of the Corporation accounted for approximately 23.7% and 28.8% of operating revenues for the year ended June 30, 2008. The same two customers accounted for approximately 28.8% and 24.3% for the year ended June 30, 2007.

NOTE 15 COLLECTIVE BARGAINING

The Corporation employs two hundred eighty-three (283) full-time and part-time benefits eligible employees. Seventy-five (75) full-time employees are represented by the International Longshoreman's Association - Local 1694-1, under a collective bargaining agreement ratified in September 2005 and expired on September 30, 2007. The new collective bargaining agreement was ratified in August 2008 and is effective for the period October 1, 2007 through September 30, 2010. One hundred thirty-nine (139) part-time employees (only those working over 800 hours in a calendar year) are represented by the International Longshoremen's Association - Local 1694-1B, under the same collective bargaining agreement. Thirteen (13) full-time employees are represented by the International Brotherhood of Teamsters - Local 326, under a collective bargaining agreement. There are fifty-six (56) administrative employees not covered under collective bargaining agreements. The Corporation also employs a number of casual employees hired as needed on a daily basis to supplement the unionized work force that are not covered by a collective bargaining agreement.

NOTE 16 COMMITMENTS AND CONTINGENCIES

Construction and Renovation Contracts. The Corporation has various contracts for construction and renovation of significant facilities located on its property at the Port in accordance with the Capital Budget approved by its Board of Directors. As of June 30, 2008 the Corporation had construction in progress of $7,125,179. Funding for capital projects has been received from operations, the State of Delaware and the U.S. Department of Homeland Security. As of June 30, 2008, the Corporation had $16,233,129 in cash and investments committed to capital projects (Note 4).

Environmental Contingencies. Under the provisions of the Port of Wilmington Acquisition Agreement dated September 1, 1995, the City retains responsibility for all liabilities under environmental laws that arise out of, or result from, any condition existing at the Port on or before, the agreement closing date, September 8, 1995.

On February 14, 2002, the Agreement was amended and in conjunction with the prepayment of the Port Deferred Payment Note, the Corporation agreed to assume responsibility for $2,000,000 of potential environmental liabilities. To date, no such liabilities have been identified.

Litigation and Claims. The Corporation is party to various claims and legal proceedings which normally occur in governmental and port operations. These claims and legal proceedings are not likely to have a material adverse impact on the Corporation. In addition, the Corporation currently has approximately $177,000 accrued for pending claims or threatened litigation for which unfavorable outcome is considered probable.